

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

The Montana Constitution and Montana statutes govern the investment activity of the retirement funds administered by the Public Employees' Retirement Board (PERB). The "prudent expert principle," contained in the Montana Constitution and Montana statute, requires the fiduciaries of the funds, including the Montana Board of Investments (BOI), to discharge their duties in the same manner that a prudent expert acting in a fiduciary capacity and under the same circumstances, exercises in the conduct of an enterprise of a similar character with similar objectives.

The prudent expert principle permits further diversification of the holdings of the fund to minimize the risk of loss and maximize the rate of return. The opportunity to diversify among various asset classes does enable a fund to reduce volatility and increase returns.

The BOI prepares and provides information related to the defined benefit investments for the PERB. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, is responsible for the presentation of the report of investment activity.

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity for the PERB is two-fold. First is to realize compound rates of return sufficient to fund promised benefits; and the second is to provide benefit services at the lowest possible cost to employers and members.

The basic investment objective of the BOI is achievement of a total rate of return which exceeds the rate of inflation as measured by the Consumer Price Index by 3% over any five-year rolling period, while out-performing the market indices for each asset class over the current five-year rolling period.

To calculate the PERB's defined benefit investment returns, State Street Bank and Trust, BOI's custodial bank and an independent third party, use the industry performance presentation standards times weighted total rate of return method.

RISK TOLERANCE

In view of the long time horizon of the pension plans and adequacy of cash flow to meet retiree payments, all funds have an above average ability to assume risk. For Montana loans, the maximum loan size is \$5 million.

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit plan are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank and Trust compiles the rates of return for the investments using the Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2006 are reported for each defined benefit fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
12-Month Period ending June 30, 2006					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		4.33%	4.33%	4.33%	4.33%
91 day T-Bill	3.95%				
Equities ¹		13.00%	12.99%	13.02%	12.99%
S&P 500	9.22%				
Fixed Income		0.53%	0.34%	0.34%	0.34%
LB Aggregate Bond	-0.81%				
Miscellaneous ²		4.27%			
All Assets		9.07%	8.96%	8.99%	8.96%
Index Composite³		8.82%	8.69%	8.72%	8.68%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		4.33%	4.33%	4.33%	4.33%
91 day T-Bill	3.95%				
Equities ¹		13.01%	13.06%	13.06%	13.26%
S&P 500	9.22%				
Fixed Income		0.34%	0.34%	0.34%	0.34%
LB Aggregate Bond	-0.81%				
All Assets		8.67%	8.95%	8.94%	8.80%
Index Composite³		8.39%	8.68%	8.68%	8.53%
¹ Includes MDEP, MTIP and Real Estate Investments					
² Montana Mortgages					
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value					
The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

Three-Year Period ending June 30, 2006

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		2.57%	2.57%	2.57%	2.57%
91 day T-Bill	2.31%				
Equities ¹		13.74%	13.73%	13.75%	13.73%
S&P 500	12.13%				
Fixed Income		3.31%	3.08%	3.08%	3.08%
LB Aggregate Bond	2.05%				
Miscellaneous ²		5.75%			
All Assets		10.19%	10.07%	10.12%	10.08%
Index Composite³		10.01%	9.87%	9.92%	9.88%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		2.57%	2.57%	2.57%	2.57%
91 day T-Bill	2.31%				
Equities ¹		13.77%	13.76%	13.76%	13.81%
S&P 500	12.13%				
Fixed Income		3.08%	3.08%	3.08%	3.08%
LB Aggregate Bond ³	2.05%				
All Assets		9.90%	9.91%	9.93%	9.91%
Index Composite³		9.71%	9.72%	9.74%	9.71%

¹ Includes MDEP, MTIP and Real Estate Investments

² Montana Mortgages

³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

Five-Year Period ending June 30, 2006

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		2.44%	2.44%	2.45%	2.44%
91 day T-Bill	2.16%				
Equities ¹		4.09%	4.03%	4.02%	4.01%
S&P 500	3.33%				
Fixed Income		6.53%	6.71%	6.71%	6.71%
LB Aggregate Bond	4.97%				
Miscellaneous ²		6.21%			
All Assets		5.76%	5.75%	5.73%	5.76%
Index Composite³		5.71%	5.59%	5.56%	5.56%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		2.44%	2.45%	2.45%	2.44%
91 day T-Bill	2.16%				
Equities ¹		3.97%	4.00%	3.99%	4.37%
S&P 500	3.33%				
Fixed Income		6.71%	6.71%	6.71%	6.71%
LB Aggregate Bond	4.97%				
All Assets		5.65%	5.68%	5.67%	6.78%
Index Composite³		5.47%	5.48%	5.46%	6.55%

¹ Includes MDEP, MTIP and Real Estate Investments

² Montana Mortgages

³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

ASSET ALLOCATION

Correct asset allocation is the main determinant of the BOI's success in meeting long-term investment objectives. The asset mix

with the highest probability of achieving the basic investment objective and the actual asset mix for fiscal year 2006 is listed in the following table for both fixed income investments and equity investments.

FY2006 ASSET ALLOCATION

		Investment Objective	Actual Investment			Investment Objective	Actual Investment
PERS-DBRP				GWPORS			
Fixed	30% to 40%	30.38%		Fixed	30% to 40%	31.29%	
Equity	60% to 70%	69.62%		Equity	60% to 70%	68.71%	
JRS				MPORS			
Fixed	30% to 40%	30.82%		Fixed	30% to 40%	30.27%	
Equity	60% to 70%	69.18%		Equity	60% to 70%	69.73%	
HPORS				FURS			
Fixed	30% to 40%	30.50%		Fixed	30% to 40%	30.27%	
Equity	60% to 70%	69.50%		Equity	60% to 70%	69.73%	
SRS				VFCA			
Fixed	30% to 40%	30.89%		Fixed	30% to 40%	34.58%	
Equity	60% to 70%	69.11%		Equity	60% to 70%	65.42%	

INVESTMENT FEES AND COMMISSIONS

Throughout the fiscal year, the investment expense for certain investments (pools, real estate) are netted against the investment earnings. At year end, investment earnings

are "grossed up" to report the investment expense for the external manager, custodial bank fees and the BOI administrative cost. This process was implemented July 1, 1995, in compliance with GASB Statement 25.

Fiscal 2006 Administrative Investment Expense (\$)										
	STIP	MDEP	MPEP	MTIP	MTRP	RFBP	AOF	Real Estate	AOF Pension Admin	Total
PERS	14,522	1,171,467	2,317,143	1,199,461	169	172,097	104,311	28,950	133,261	5,008,119
POLICE	980	56,098	112,887	58,310	8	8,790			-	237,074
GAME WARDENS	617	18,453	35,855	18,661	3	2,906			-	76,494
SHERIFFS	818	54,701	107,700	55,701	8	8,474			-	227,403
JUDGES	255	17,480	34,547	17,826	3	2,713			-	72,823
HWY PATROL	336	29,901	59,682	30,737	4	4,666			-	125,327
TRS	11,506	902,631	1,776,491	922,386	130	131,023	90,270	25,350	115,620	3,859,788
VOL FIREMANS	187	7,120	15,267	7,802	1	1,162			-	31,538
FIREFIGHTERS	958	53,421	107,365	55,474	8	8,356			-	225,582
Totals	30,178	2,311,273	4,566,936	2,366,359	333	340,187	194,581	54,300	248,881	9,864,148

INVESTMENT SECTION

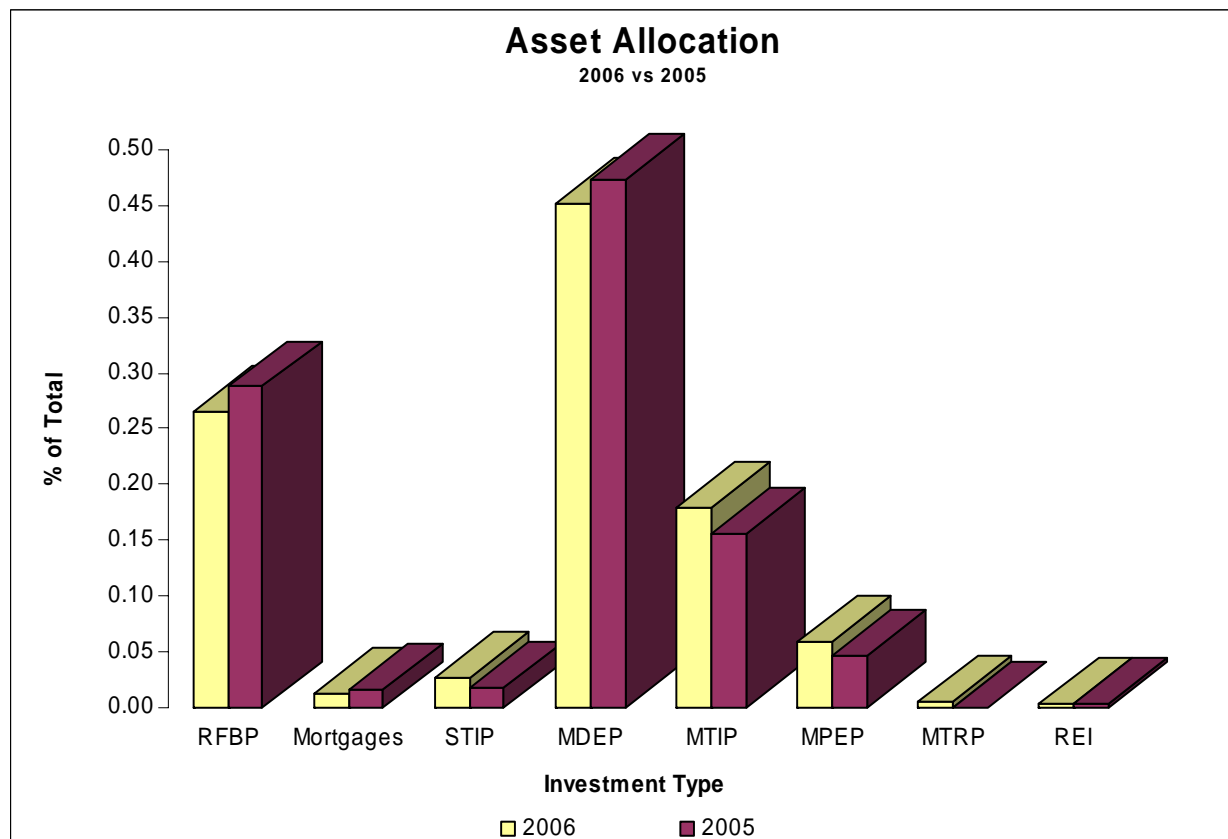
PERS-DBRP

Asset Mix (fair value)

as of June 30, 2006 and 2005

(in thousands)

Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 932,048	26.55%	\$ 930,369	28.78%	\$ 1,679	0.18%
Montana Mortgages	43,097	1.23%	50,658	1.57%	(7,561)	-14.93%
STIP	91,182	2.60%	58,112	1.80%	33,070	56.91%
Total Fixed Income	\$ 1,066,327	30.38%	\$ 1,039,139	32.15%	\$ 27,188	2.62%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 1,586,747	45.20%	\$ 1,529,418	47.31%	\$ 57,329	3.75%
Montana International Pool (MTIP)	630,135	17.95%	505,112	15.62%	125,023	24.75%
Montana Private Equity Pool (MPEP)	203,406	5.79%	150,595	4.66%	52,811	35.07%
Montana Real Estate Pool (MTRP)	15,200	0.43%	-	0.00%	15,200	100.00%
Real Estate Investments (REI)	8,636	0.25%	8,525	0.26%	111	1.30%
Total Equities	\$ 2,444,124	69.62%	\$ 2,193,650	67.85%	\$ 250,474	11.42%
Total	\$ 3,510,451	100.00%	\$ 3,232,789	100.00%	\$ 277,662	8.59%

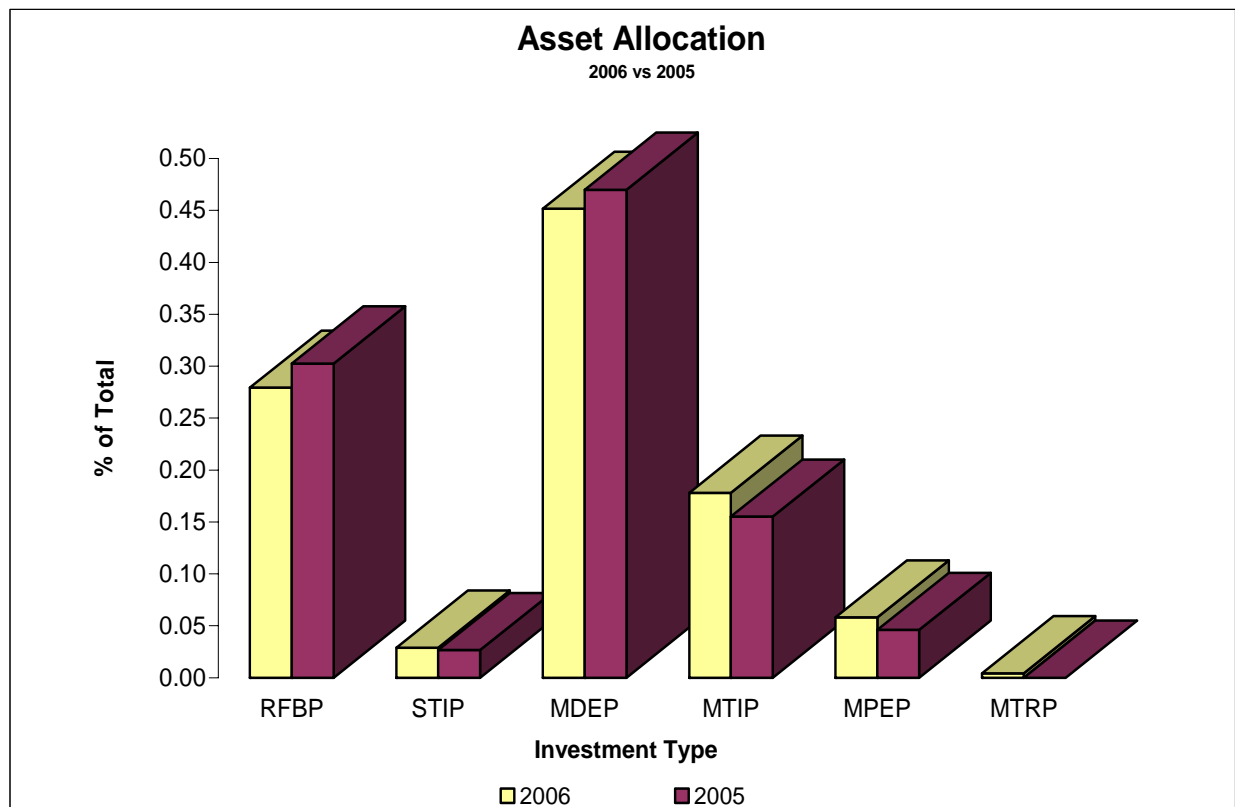


JRS

Asset Mix (fair value)**as of June 30, 2006 and 2005**

(in thousands)

Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 14,685	27.93%	\$ 14,655	30.26%	\$ 30	0.20%
STIP	1,519	2.89%	1,284	2.65%	235	18.30%
Total Fixed Income	\$ 16,204	30.82%	\$ 15,939	32.91%	\$ 265	1.66%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 23,744	45.15%	\$ 22,749	46.99%	\$ 995	4.37%
Montana International Pool (MTIP)	9,365	17.81%	7,507	15.50%	1,858	24.75%
Montana Private Equity Pool (MPEP)	3,047	5.79%	2,229	4.60%	818	36.70%
Montana Real Estate Pool (MTRP)	225	0.43%	-	0.00%	225	100.00%
Total Equities	\$ 36,381	69.18%	\$ 32,485	67.09%	\$ 3,896	11.99%
Total	\$ 52,585	100.00%	\$ 48,424	100.00%	\$ 4,161	8.59%



INVESTMENT SECTION

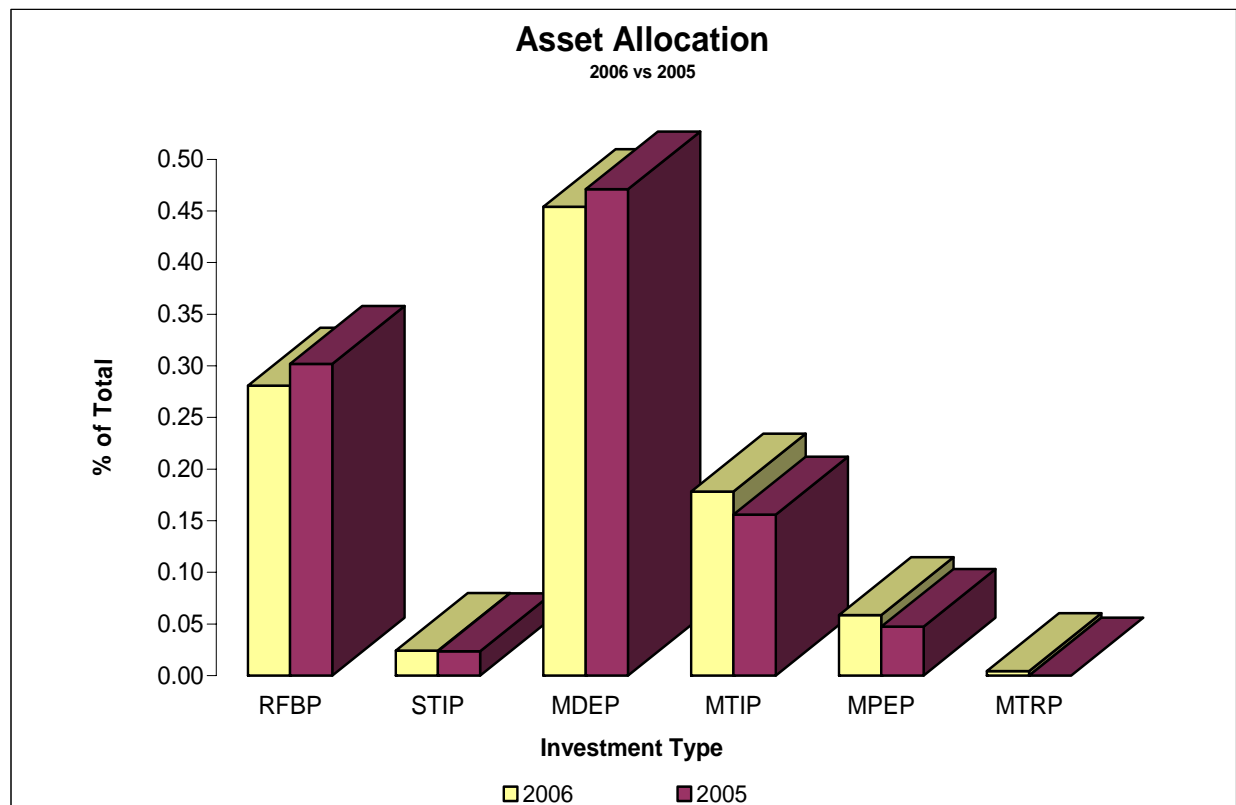
HPORS

Asset Mix (fair value)

as of June 30, 2006 and 2005

(in thousands)

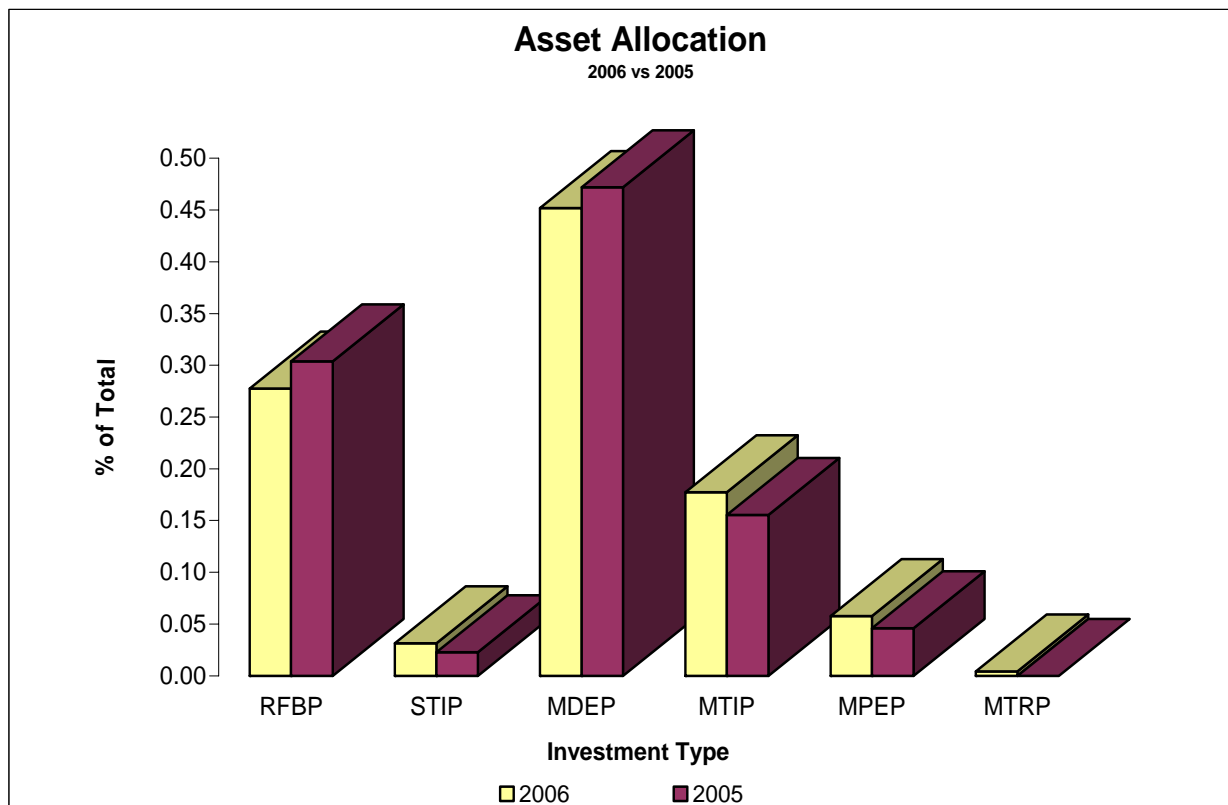
Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 24,889	28.09%	\$ 25,244	30.20%	\$ (355)	-1.41%
STIP	2,134	2.41%	1,978	2.37%	156	7.89%
<i>Total Fixed Income</i>	<i>\$ 27,023</i>	<i>30.50%</i>	<i>\$ 27,222</i>	<i>32.57%</i>	<i>\$ (199)</i>	<i>-0.73%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 40,232	45.39%	\$ 39,376	47.10%	\$ 856	2.17%
Montana International Pool (MTIP)	15,795	17.83%	13,035	15.60%	2,760	21.17%
Montana Private Equity Pool (MPEP)	5,178	5.85%	3,946	4.73%	1,232	31.22%
Montana Real Estate Pool (MTRP)	380	0.43%	-	0.00%	380	100.00%
<i>Total Equities</i>	<i>\$ 61,585</i>	<i>69.50%</i>	<i>\$ 56,357</i>	<i>67.43%</i>	<i>\$ 5,228</i>	<i>9.28%</i>
Total	\$ 88,608	100.00%	\$ 83,579	100.00%	\$ 5,029	6.02%



SRS

Asset Mix (fair value) as of June 30, 2006 and 2005 (in thousands)

Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 45,822	27.75%	\$ 45,890	30.39%	\$ (68)	-0.15%
STIP	5,182	3.14%	3,441	2.28%	1,741	50.60%
Total Fixed Income	\$ 51,004	30.89%	\$ 49,331	32.67%	\$ 1,673	3.39%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 74,633	45.20%	\$ 71,278	47.20%	\$ 3,355	4.71%
Montana International Pool (MTIP)	29,263	17.72%	23,457	15.53%	5,806	24.75%
Montana Private Equity Pool (MPEP)	9,508	5.76%	6,941	4.60%	2,567	36.98%
Montana Real Estate Pool (MTRP)	710	0.43%	-	0.00%	710	100.00%
Total Equities	\$ 114,114	69.11%	\$ 101,676	67.33%	\$12,438	12.23%
Total	\$ 165,118	100.00%	\$ 151,007	100.00%	\$14,111	9.34%



INVESTMENT SECTION

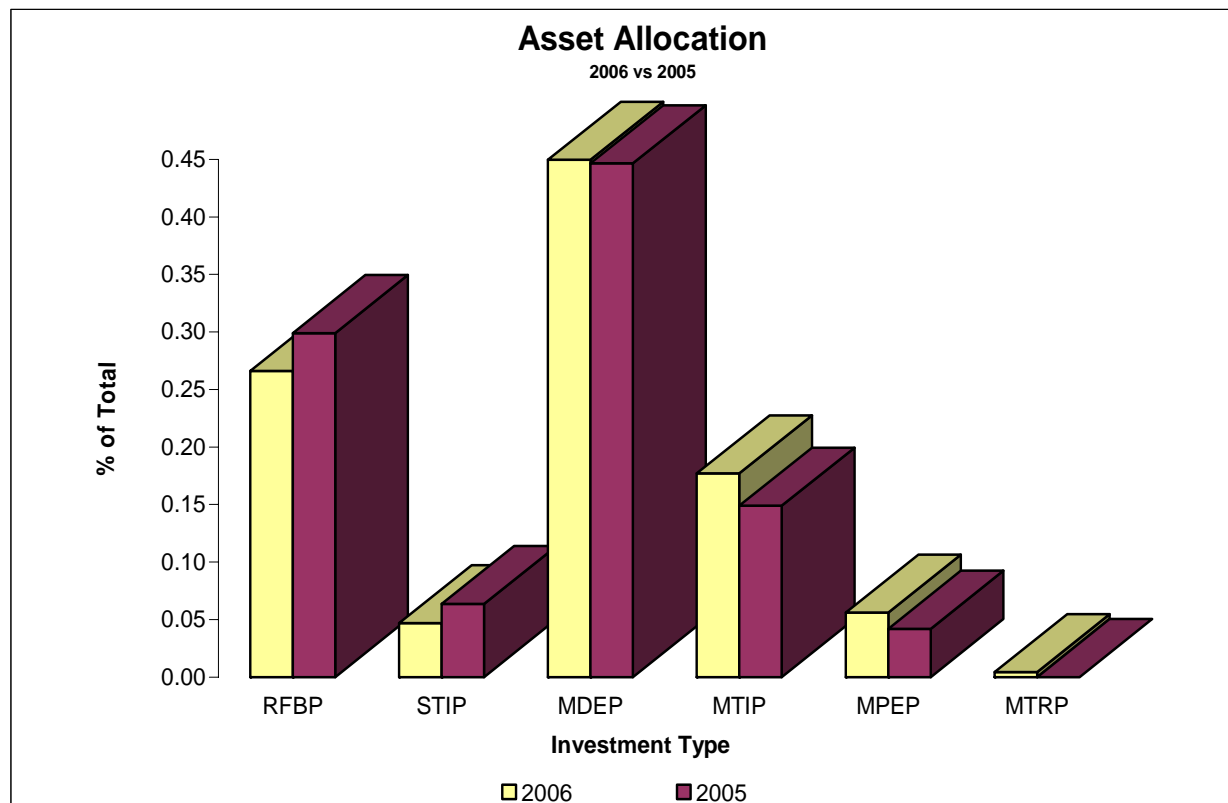
GWPORS

Asset Mix (fair value)

as of June 30, 2006 and 2005

(in thousands)

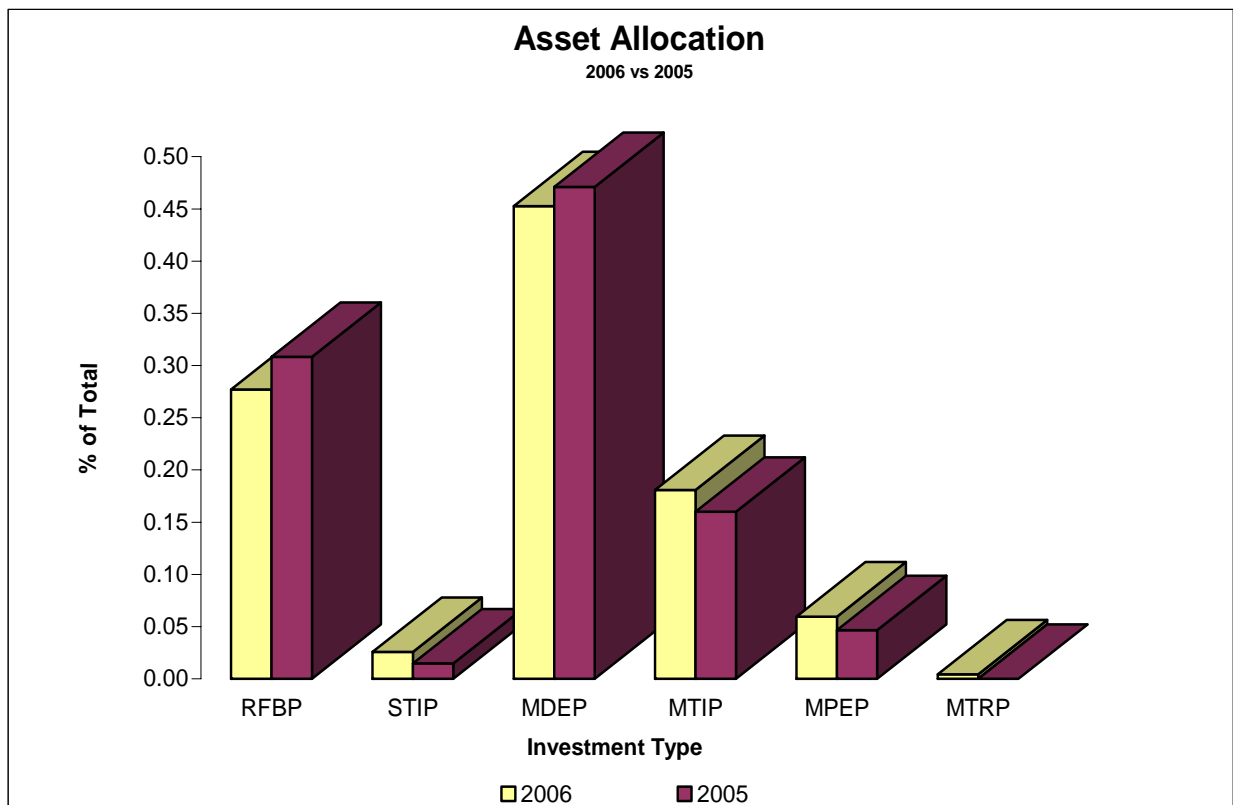
Investment Type	2005 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 15,806	26.61%	\$ 15,471	29.90%	\$ 335	2.17%
STIP	2,782	4.68%	3,292	6.36%	(510)	-15.49%
Total Fixed Income	\$ 18,588	31.29%	\$ 18,763	36.26%	\$ (175)	-0.93%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 26,705	44.96%	\$ 23,111	44.66%	\$ 3,594	15.55%
Montana International Pool (MTIP)	10,518	17.71%	7,705	14.89%	2,813	36.51%
Montana Private Equity Pool (MPEP)	3,330	5.61%	2,170	4.19%	1,160	53.46%
Montana Real Estate Pool (MTRP)	255	0.43%	-	0.00%	255	100.00%
Total Equities	\$ 40,808	68.71%	\$ 32,986	63.74%	\$ 7,822	23.71%
Total	\$ 59,396	100.00%	\$ 51,749	100.00%	\$ 7,647	14.78%



MPORS

Asset Mix (fair value) as of June 30, 2006 and 2005 (in thousands)

Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 46,944	27.71%	\$ 47,395	30.83%	\$ (451)	-0.95%
STIP	4,338	2.56%	2,246	1.46%	2,092	93.14%
Total Fixed Income	\$ 51,282	30.27%	\$ 49,641	32.29%	\$ 1,641	3.31%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 76,683	45.26%	\$ 72,390	47.09%	\$ 4,293	5.93%
Montana International Pool (MTIP)	30,633	18.08%	24,555	15.98%	6,078	24.75%
Montana Private Equity Pool (MPEP)	10,089	5.96%	7,138	4.64%	2,951	41.34%
Montana Real Estate Pool (MTRP)	730	0.43%	-	0.00%	730	100.00%
Total Equities	\$ 118,135	69.73%	\$ 104,083	67.71%	\$ 14,052	13.50%
Total	\$ 169,417	100.00%	\$ 153,724	100.00%	\$ 15,693	10.21%

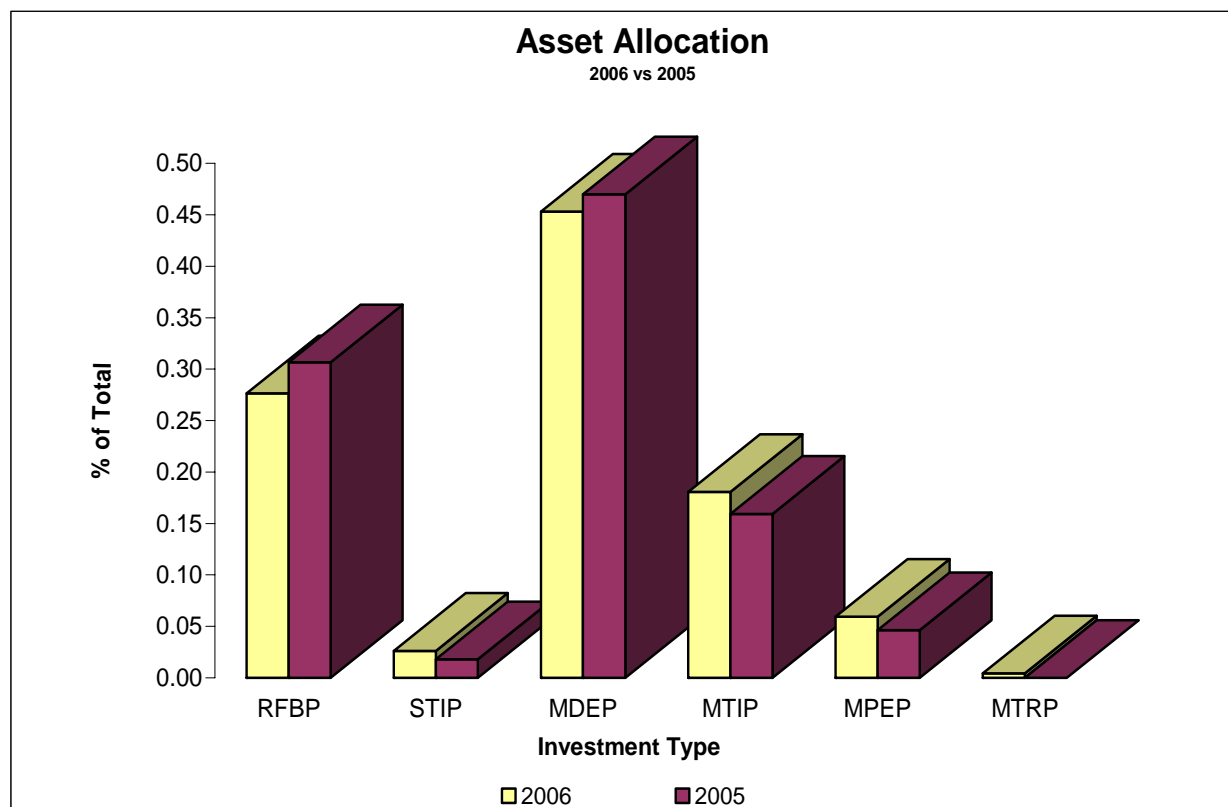


INVESTMENT SECTION

FURS

Asset Mix (fair value) as of June 30, 2006 and 2005 (in thousands)

Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 44,650	27.64%	\$ 44,975	30.65%	\$ (325)	-0.72%
STIP	4,241	2.63%	2,641	1.80%	1,600	60.58%
<i>Total Fixed Income</i>	<u>\$ 48,891</u>	<u>30.27%</u>	<u>\$ 47,616</u>	<u>32.45%</u>	<u>\$ 1,275</u>	<u>2.68%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 73,144	45.30%	\$ 68,911	46.98%	\$ 4,233	6.14%
Montana International Pool (MTIP)	29,143	18.06%	23,361	15.94%	5,782	24.75%
Montana Private Equity Pool (MPEP)	9,587	5.94%	6,797	4.63%	2,790	41.05%
Montana Real Estate Pool (MTRP)	700	0.43%		0.00%	700	100.00%
<i>Total Equities</i>	<u>\$ 112,574</u>	<u>69.73%</u>	<u>\$ 99,069</u>	<u>67.55%</u>	<u>\$13,505</u>	<u>13.63%</u>
Total	\$ 161,465	100.00%	\$ 146,685	100.00%	\$14,780	10.08%



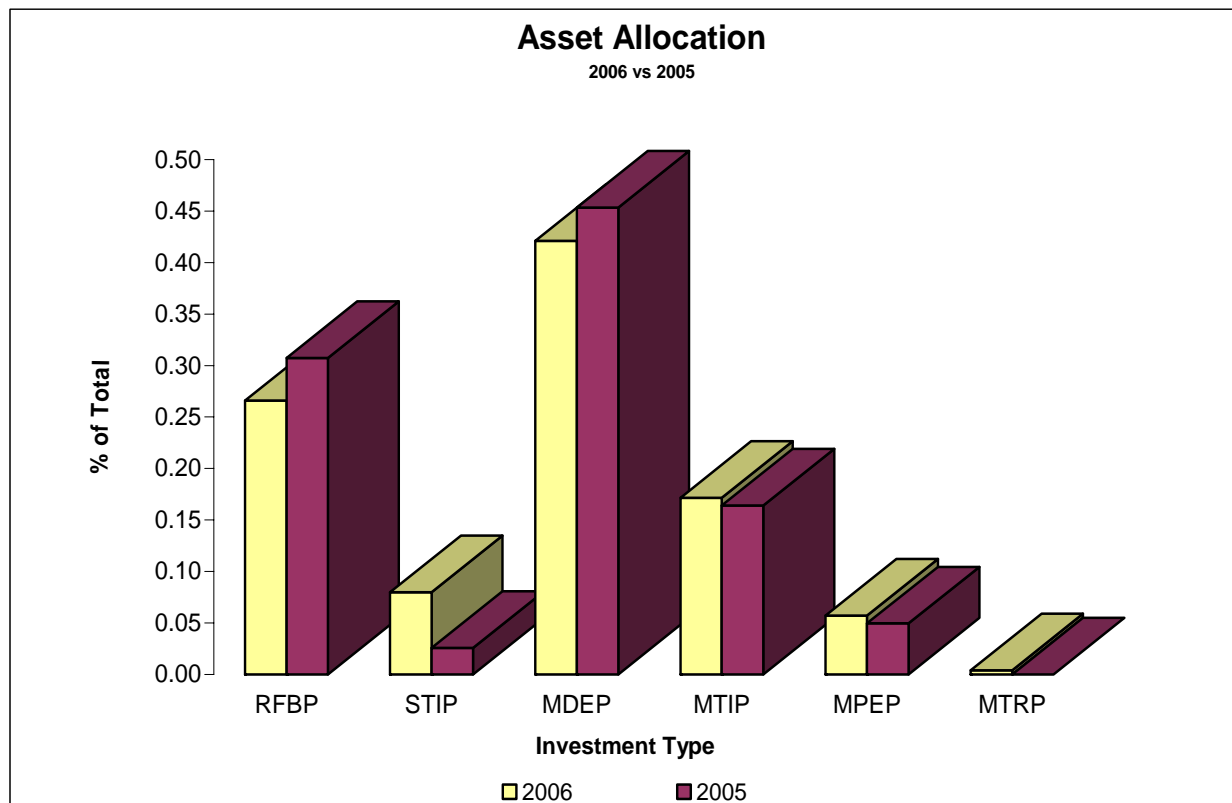
VFCA

Asset Mix (fair value)

as of June 30, 2006 and 2005

(in thousands)

Investment Type	2006 Fair Value	% of Total	2005 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 6,233	26.60%	\$ 6,170	30.75%	\$ 63	1.02%
STIP	1,870	7.98%	512	2.55%	1,358	265.23%
Total Fixed Income	\$ 8,103	34.58%	\$ 6,682	33.30%	\$ 1,421	21.27%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 9,872	42.13%	\$ 9,096	45.34%	\$ 776	8.53%
Montana International Pool (MTIP)	4,023	17.16%	3,294	16.42%	729	22.13%
Montana Private Equity Pool (MPEP)	1,341	5.72%	992	4.94%	349	35.18%
Montana Real Estate Pool (MTRP)	95	0.41%	-	0.00%	95	100.00%
Total Equities	\$ 15,331	65.42%	\$ 13,382	66.70%	\$ 1,949	14.56%
Total	\$ 23,434	100.00%	\$ 20,064	100.00%	\$ 3,370	16.80%



INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2006

A complete list of the portfolio holdings can be obtained by contacting the Montana Board of Investments.
The information below is PERB's presentation of the largest holdings.

Shares/Par	Mortgages Portfolio	Fair Value
212,353,581	Montana Permanent Coal Trust Loans	\$ 212,353,581
92,939,453	Montana Residential Mortgages	93,811,197

PERS' 43,605,272 shares represent 15.1% of the total Mortgages portfolio at market.

Shares/Par	MDEP Portfolio	Fair Value
3,340,346	BGI S&P Equity Index Fund A	\$ 1,178,260,317
199,064	Dimensional Fund Advisors Inc	213,902,449
9,982,317	BGI S&P 400 Midcap Equity Index Fund	191,367,605
8,976,856	Western Asset Management Co (WAMCO)	125,424,632
9,330,103	Goldman Sachs	124,463,571
2,017,700	General Electric Co	66,503,392
746,500	Exxon Mobil Corp	45,797,775
813,900	Citigroup Inc	39,262,536
538,500	Johnson+Johnson	32,266,920
605,700	Bank America Corp	29,134,170

PERS' 11,497,084 shares represent 50.33% of the total MDEP portfolio at market.

JRS' 172,044 shares represent 0.75% of the total MDEP portfolio at market.

HPORS' 291,508 shares represent 1.28% of the total MDEP portfolio at market.

SRS' 540,768 shares represent 2.37% of the total MDEP portfolio at market.

GWPORS' 193,494 shares represent 0.85% of the total MDEP portfolio at market.

MPORS' 555,622 shares represent 2.43% of the total MDEP portfolio at market.

FURS' 529,982 shares represent 2.32% of the total MDEP portfolio at market.

VFCA's 71,527 shares represent 0.31% of the total MDEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2006

Shares/Par	RFBP Portfolio		Fair Value
35,000,000	Freddie Mac	\$	33,381,005
150,000,000	Federal Home Loan Mortgage Corp		32,912,550
33,196,585	Federal Home Loan Pool G11812		31,961,188
30,000,000	Federal National Mortgage Assn		30,282,939
30,000,000	DOT Headquarters II Lease Mtg		30,142,500
29,501,080	Federal Home Loan Pool G02070		28,353,960
28,684,645	FNMA Pool 745250		27,634,772
27,514,971	Federal Home Loan Pool G11777		26,491,013
27,483,855	Federal Home Loan Pool G11670		25,677,265
25,000,000	Aria CDO		24,874,570

PERS' 933,776,053 shares represent 50.74% of the total RFBP portfolio at market.

JRS' 14,712,306 shares represent 0.80% of the total RFBP portfolio at market.

HPORS' 24,935,437 shares represent 1.35% of the total RFBP portfolio at market.

SRS' 45,907,425 shares represent 2.49% of the total RFBP portfolio at market.

GWPORS' 15,835,076 shares represent 0.86% of the total RFBP portfolio at market.

MPORS' 47,030,815 shares represent 2.43% of the total RFBP portfolio at market.

FURS' 44,732,736 shares represent 2.43% of the total RFBP portfolio at market.

VFCA's 6,244,523 shares represent 0.34% of the total RFBP portfolio at market.

Shares/Par	MTIP Portfolio		Fair Value
60,418,608	BGI Equity Index Fund Europe	\$	768,768,601
5,303,193	DFA International Small Co		93,071,030
3,578,423	BGI Pacific Index Strategy Fund		65,943,278
1,218,712	State Street EAFE Stock Performance Index		30,495,834
583	Mitsubishi UFJ Fin Group		8,146,369
756	Sumitomo Mitsui Group		7,988,821
10,953	Samsung Electronic		6,961,432
533,000	Nissan Motor Co		5,818,523
108,200	Toyota Motor Corp		5,660,172
217,010	BHP Billiton Ltd		4,671,194

PERS' 4,152,606 shares represent 50.77% of the total MTIP portfolio at market.

JRS' 61,715 shares represent 0.75% of the total MTIP portfolio at market.

HPORS' 104,087 shares represent 1.27% of the total MTIP portfolio at market.

SRS' 192,841 shares represent 2.36% of the total MTIP portfolio at market.

GWPORS' 69,317 shares represent 0.85% of the total MTIP portfolio at market.

MPORS' 201,874 shares represent 2.47% of the total MTIP portfolio at market.

FURS' 192,054 shares represent 2.35% of the total MTIP portfolio at market.

VFCA's 26,512 shares represent 0.32% of the total MTIP portfolio at market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2006

Shares/Par	MPEP Portfolio	Fair Value
68,290,738	Brinson Partnership Fund Trust	\$ 73,292,830
15,014,222	Lexington Capital Partnership V	33,854,248
30,072,119	Adams Street Partnership Fund	33,495,559
184,326	State Street SPIFF	31,043,496
35,414,941	KKR 1996	29,422,804
24,913,712	Adams Street Fund V	22,756,035
14,140,769	WCAS IX	22,227,620
16,081,329	KKR European Fund	21,567,105
13,218,761	Madison Dearborn Capital Partners IV	16,639,921
14,168,812	Arclight Energy Partners FD II	14,526,815

PERS' 1,500,613 shares represent 50.76% of the total MPEP portfolio at market.

JRS' 22,481 shares represent 0.76% of the total MPEP portfolio at market.

HPORS' 38,201 shares represent 1.29% of the total MPEP portfolio at market.

SRS' 70,143 shares represent 2.37% of the total MPEP portfolio at market.

GWPORS' 24,566 shares represent 0.83% of the total MPEP portfolio at market.

MPORS' 74,428 shares represent 2.52% of the total MPEP portfolio at market.

FURS' 70,730 shares represent 2.39% of the total MPEP portfolio at market.

VFCA's 9,891 shares represent 0.33% of the total MPEP portfolio at market.

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INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2006

(in thousands)

Type of Investment	PERS-DBRP		JRS		HPORS	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 932,048	26.55%	\$ 14,685	27.93%	\$ 24,889	28.09%
<i>Equities</i>						
Montana Domestic Equity Pool	1,586,747	45.20%	23,744	45.15%	40,232	45.39%
Montana International Pool	630,135	17.95%	9,365	17.81%	15,795	17.83%
Montana Real Estate Pool	15,200	0.43%	225	0.43%	380	0.43%
<i>Alternative Equities</i>						
Montana Private Equity Pool	203,406	5.79%	3,047	5.79%	5,178	5.85%
Real Estate Investments	8,636	0.25%	N/A		N/A	
<i>Montana Mortgages & Loans</i>						
Mortgages	43,097	1.23%	N/A		N/A	
<i>Short Term Investments</i>						
Short Term Investment Pool	91,182	2.60%	1,519	2.89%	2,134	2.41%
Total	\$ 3,510,451	100.00%	\$ 52,585	100.00%	\$ 88,608	100.00%

INVESTMENT SECTION

SRS		GWPORS		MPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 45,822	27.75%	\$ 15,806	26.61%	\$ 46,944	27.71%	\$ 44,650	27.64%	\$ 6,233	26.60%
74,633	45.20%	26,705	44.96%	76,683	45.26%	73,144	45.30%	9,872	42.13%
29,263	17.72%	10,518	17.71%	30,633	18.08%	29,143	18.06%	4,023	17.16%
710	0.43%	255	0.43%	730	0.43%	700	0.43%	95	0.41%
9,508	5.76%	3,330	5.61%	10,089	5.96%	9,587	5.94%	1,341	5.72%
N/A		N/A		N/A		N/A		N/A	
N/A		N/A		N/A		N/A		N/A	
5,182	3.14%	2,782	4.68%	4,338	2.56%	4,241	2.63%	1,870	7.98%
\$ 165,118	100.00%	\$ 59,396	100.00%	\$ 169,417	100.00%	\$ 161,465	100.00%	\$ 23,434	100.00%

INVESTMENT SECTION

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